
STATE OF WEST VIRGINIA
Public Employees Insurance Agency



**UNDERSTANDING OUR
UNFUNDED LIABILITY FOR OTHER POST
EMPLOYMENT BENEFITS (OPEB)**

What Does the OPEB Unfunded Liability Mean ... and Why is it Important?

This liability reflects the amount of non-pension benefit expenses offered to employees in exchange for their services, including health care costs, which will be paid by the employers for an employee from the time retirement begins to the date of his/her death. It is the excess of the accrued liability over the value of assets. This liability is required to be reported in accordance with the Governmental Accounting Standards Board. It is important to address this unfunded obligation in order to help lower our substantial liability; sustain our ability to provide health care benefits to employees and retirees; and, avoid having to use funds that are currently supporting other vital programs to pay for health care benefits in the future.

March 7, 2014

West Virginia Other Post Employment Benefit Plan

A Closer Look at our OPEB Liability ...

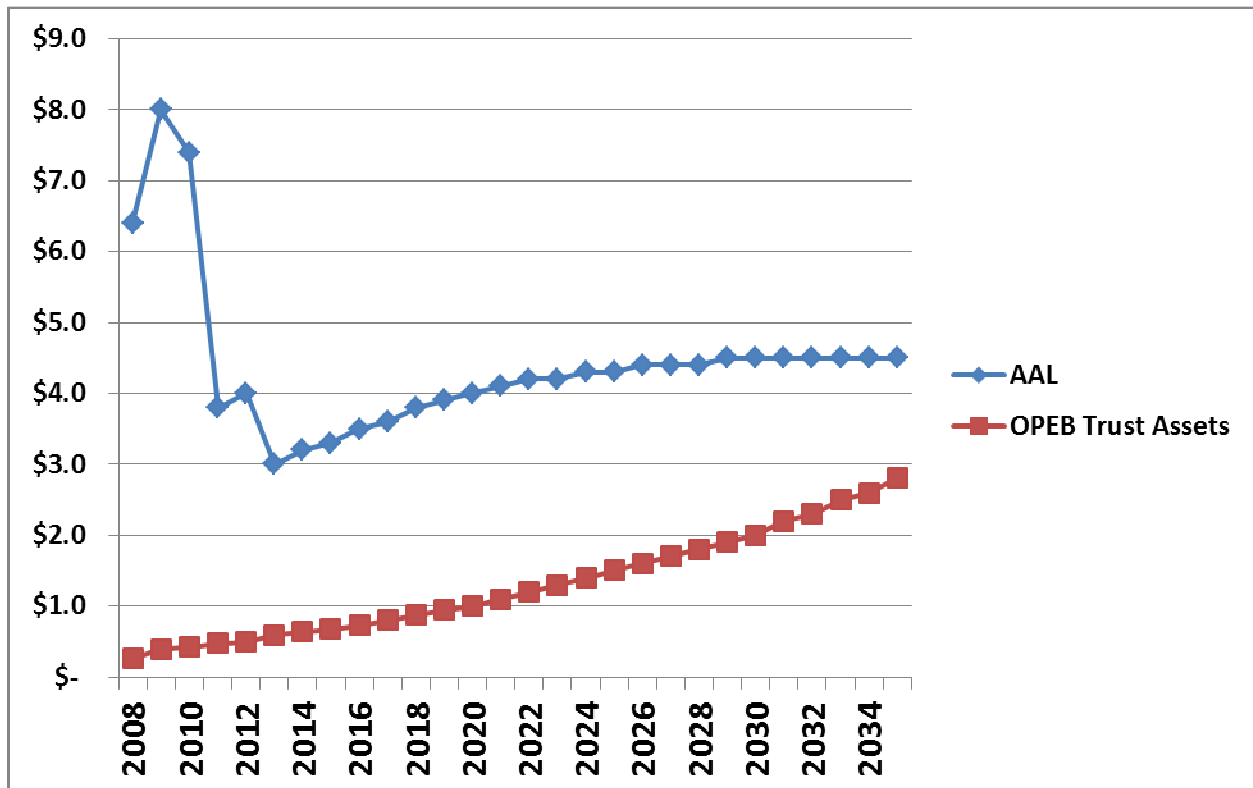
<i>Occurrences Affecting OPEB Liability</i>	<i>OPEB Liability</i>
<i><u>June 2006 - OPEB Liability</u></i>	\$7.8 Billion
<i><u>April 2007 – Medicare Advantage Prescription Drug Plan Adopted for FY 2008:</u></i> <ul style="list-style-type: none"> <i>• Reduce State's Medicare Retiree Costs by 53%</i> 	(\$2.4) Billion
<i><u>April 2007 – Requested New OPEB Liability Valuation due to Change in Plan Costs.</u></i> <ul style="list-style-type: none"> <i>• For this valuation, actuaries were able to assume lower cost trends due to favorable financial results PEIA had experienced since last valuation.</i> <i>• This results in a lower expense to have to fund each year.</i> 	(\$2.0) Billion
<i><u>April 2007 OPEB Liability</u></i>	\$3.4 Billion
<i><u>June 2008 OPEB Liability</u></i> <ul style="list-style-type: none"> <i>• Savings from MAPD eroded due to cessation of federal subsidization of MAPD</i> 	\$6.4 Billion
<i><u>June 2009 OPEB Liability</u></i> <ul style="list-style-type: none"> <i>• Back to 2006 Liability levels</i> <i>• Subsidization level capped with 3% escalator and prefunding of \$30 million beginning in 2016</i> <i>• Reduced subsidy for life insurance for retirees</i> <i>• Change in discount rate from 3.56 to 6.10</i> <i>• New assumptions</i> 	\$7.4 Billion (\$2.6) Billion (\$78) Million (\$1.3) Billion \$422 Million
<i><u>June 2011 OPEB Liability</u></i> <ul style="list-style-type: none"> <i>• Life insurance for retirees no longer subsidized</i> <i>• Change in discount rate from 6.1% to 7.4%</i> <i>• New assumptions</i> 	\$3.8 Billion (\$2) Million (\$449) Million (\$362) Million
<i><u>June 2013 OPEB Liability</u></i>	\$3.0 Billion

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Accrued Actuarial Liability

AAL Valuation –In Billions

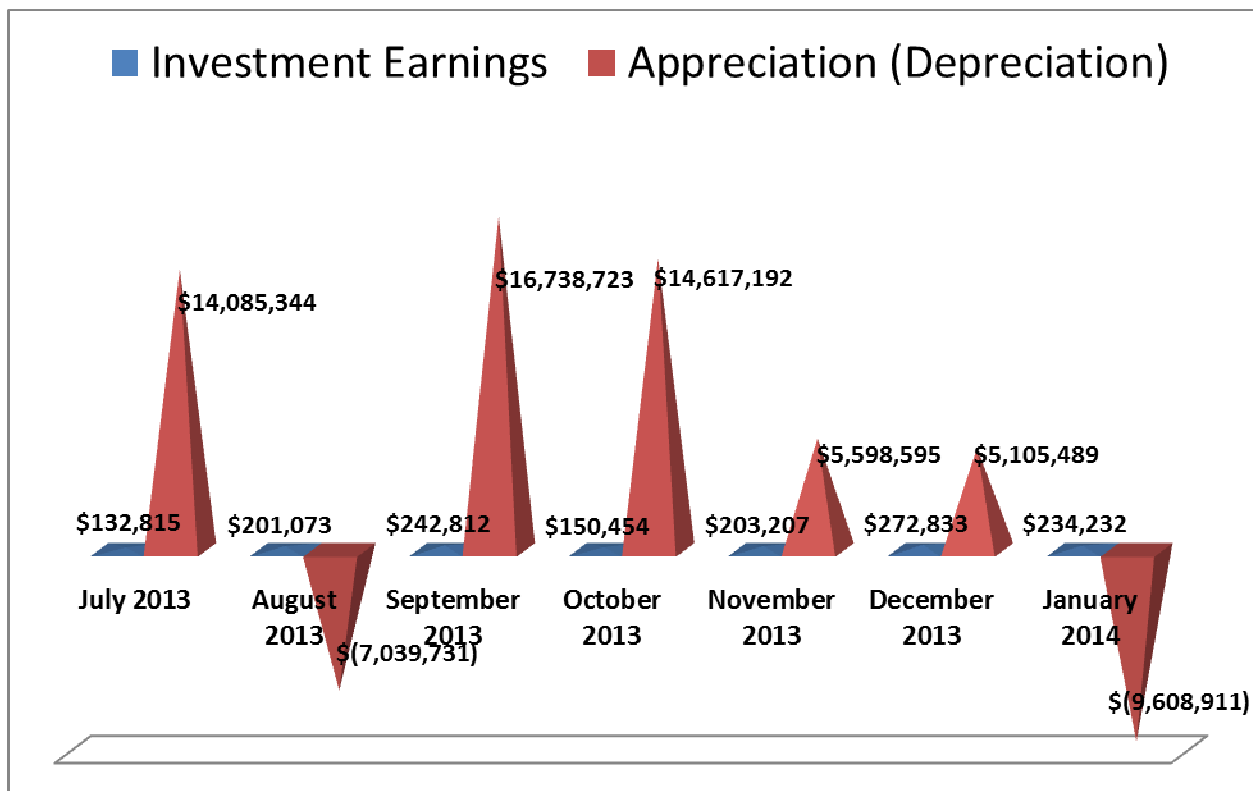
RHBT WV OPEB Report as of June 30, 2013



- This chart indicates the level of the unfunded OPEB liability with the implementation of a capped subsidy with a 3% escalator in FY 2014, and \$30 million in pre-funding beginning in FY 2016.
- Due to these changes, the state's OPEB liability is forecast to be funded by 2053.

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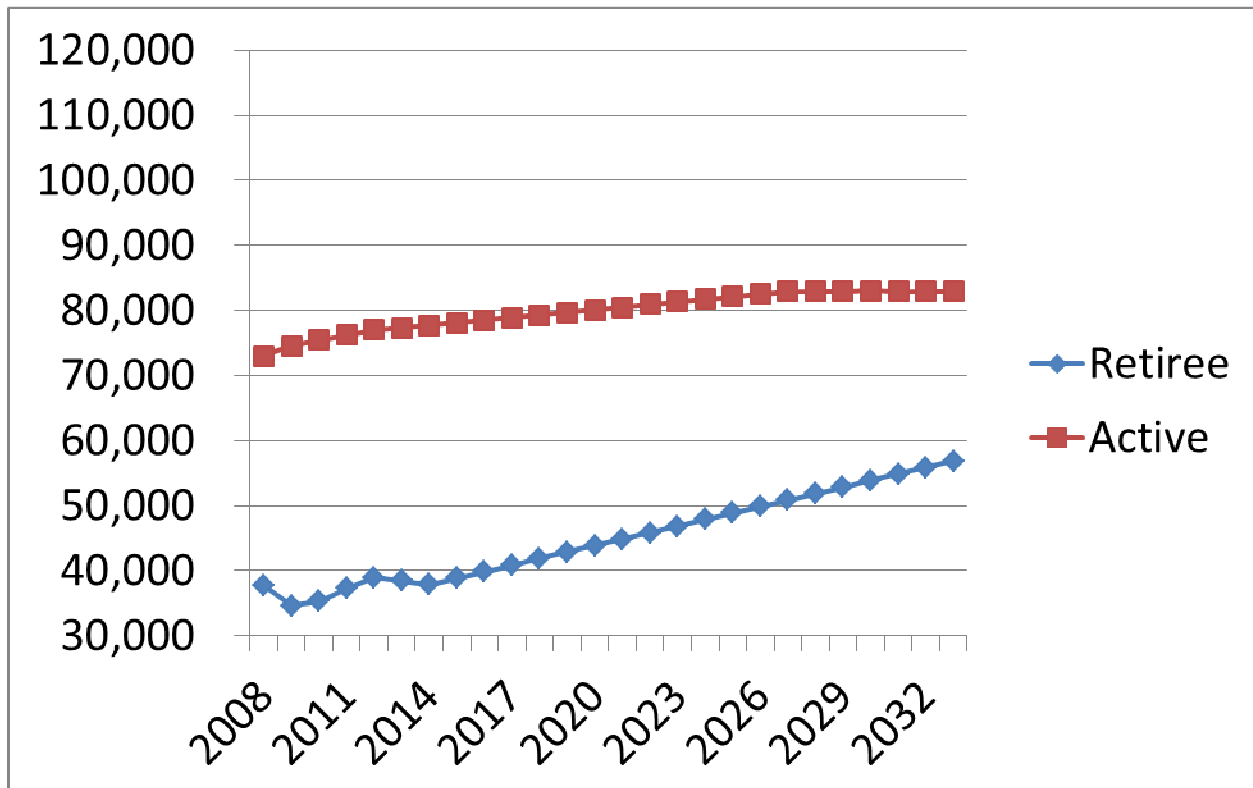
RHBT Investment Management Board Investment Earnings and Appreciation (Depreciation) Year to Date January 31, 2014



- This chart indicates the monthly investment earnings and appreciation (depreciation) for the Trust for the first seven months of fiscal year 2014.
- As of January 31, 2014, the Trust is \$24 million ahead of budget. \$20 million of this is due to investments with IMB.

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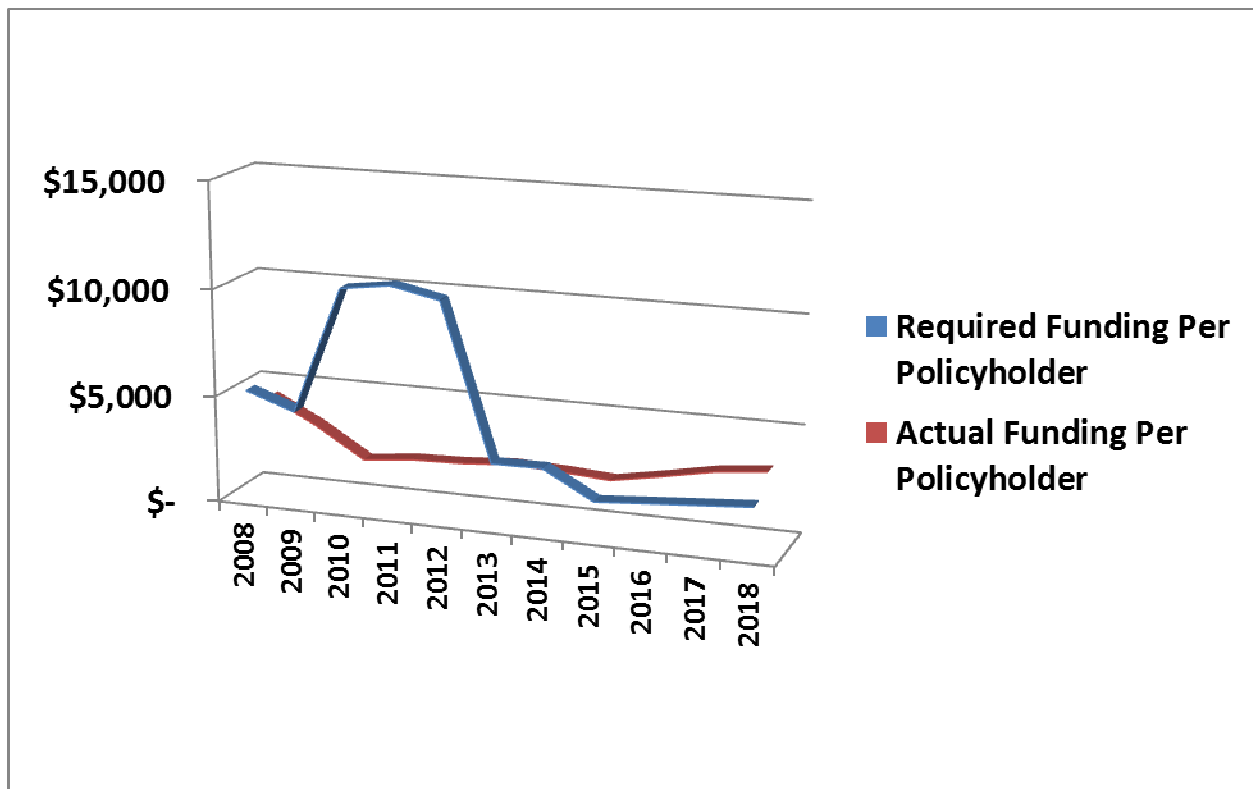
Public Employees Insurance Agency and Retiree Health Benefits Trust Fund Policy Count



- This chart demonstrates the quickly increasing number of retirees compared to the more constant increase of active employees.
- Without the change in benefits and prefunding, the higher level of retirees would have placed the burden on active employees at an unaffordable level.
- The number of active policyholders continues to stabilize as the number of retirees increases from approximately 38,000 in 2008 to an expected 57,000 in 2032.

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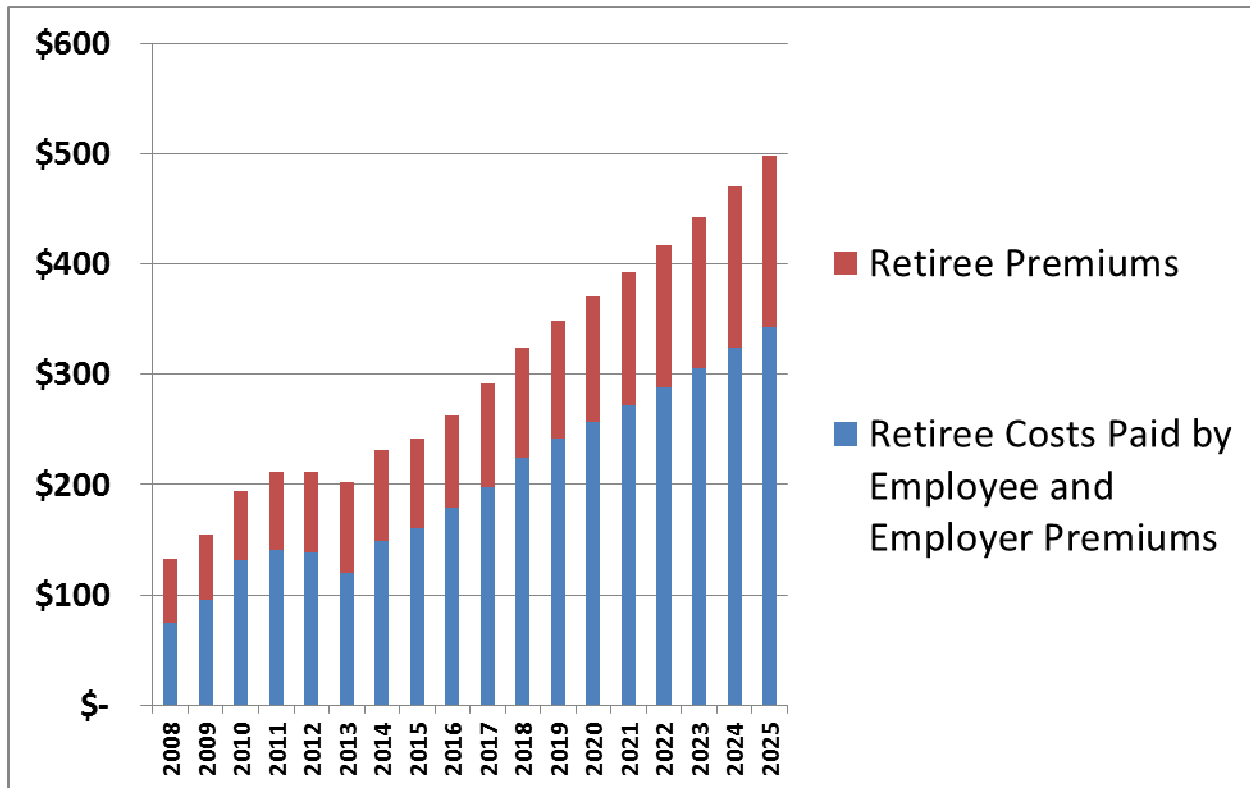
OPEB Annual Required Contribution



- This chart indicates the level of the annual required contribution to fully fund the OPEB liability and the actual funding level per active employee policyholder.
- The actual annual funding is will surpass annual required funding in FY 2015.

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Active Premium Subsidy for the Retirees



- This chart indicates the rate of growth for the retiree premiums versus their actual costs and the fixed costs due to the capped subsidy for the employer, often referred to as the 'retiree subsidy'. By capping the subsidy, the state's obligation will not be susceptible to healthcare inflation.
- The active premiums currently subsidize the retirees' health care by approximately \$150 million.
- The active policyholder subsidy for the retirees currently represents the largest portion of the OPEB revenue. The capped benefit and pre-funding will now eventually resolve this liability.